

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Township of Charleston*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2005*

---

## CONTENTS

---

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Statement of net assets - proprietary fund	9
Statement of revenues, expenses, and changes in net assets - proprietary fund	10
Statement of cash flows - proprietary fund	11
Statement of fiduciary net assets - agency fund	12
Notes to financial statements	13 - 20
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	21 - 22
Public Safety Fund	23
Township Improvement Revolving Fund	24
Sewer Fund	25

## INDEPENDENT AUDITORS' REPORT

**Township Board  
Township of Charleston, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Township of Charleston, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Township of Charleston, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison information on pages 21 through 25, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board  
Township of Charleston, Michigan  
Page 2

The Township of Charleston, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Sigfried Crandall P.C.*

June 7, 2005

## **BASIC FINANCIAL STATEMENTS**

**Township of Charleston**  
**STATEMENT OF NET ASSETS**  
March 31, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,160,764	\$ 1,355	\$ 1,162,119
Receivables, net	56,957	1,718	58,675
Prepaid expenses	<u>2,593</u>	<u>-</u>	<u>2,593</u>
Total current assets	<u>1,220,314</u>	<u>3,073</u>	<u>1,223,387</u>
Noncurrent assets:			
Receivables, net	185,666	-	185,666
Capital assets, net of accumulated depreciation	<u>357,900</u>	<u>1,061,547</u>	<u>1,419,447</u>
Total noncurrent assets	<u>543,566</u>	<u>1,061,547</u>	<u>1,605,113</u>
Total assets	<u>1,763,880</u>	<u>1,064,620</u>	<u>2,828,500</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	<u>9,279</u>	<u>1,251</u>	<u>10,530</u>
<b>NET ASSETS</b>			
Invested in capital assets	357,900	1,061,547	1,419,447
Restricted for:			
Public improvement	191,017	-	191,017
Public safety	97,606	-	97,606
Public works	682,182	-	682,182
Unrestricted	<u>425,896</u>	<u>1,822</u>	<u>427,718</u>
Total net assets	<u>\$ 1,754,601</u>	<u>\$ 1,063,369</u>	<u>\$ 2,817,970</u>

See notes to the financial statements

**Township of Charleston**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 2,970	\$ -	\$ -	\$ -
General government	164,556	7,454	-	4,700
Public safety	81,852	16,026	-	-
Public works	33,995	23,695	2,783	-
Community and economic development	12,528	775	-	-
Culture and recreation	18,340	-	-	-
Total governmental activities	<u>314,241</u>	<u>47,950</u>	<u>2,783</u>	<u>4,700</u>
Business-type activities:				
Water	<u>62,603</u>	<u>20,741</u>	<u>-</u>	<u>-</u>
	<u>\$ 376,844</u>	<u>\$ 68,691</u>	<u>\$ 2,783</u>	<u>\$ 4,700</u>

General revenues  
Property taxes  
State grants  
Investment income  
Other

Total general revenues

Transfers

Change in net assets

Net assets - beginning

Net assets - ending



---

**Net (expense) revenue and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (2,970)		\$ (2,970)
(152,402)		(152,402)
(65,826)		(65,826)
(7,517)		(7,517)
(11,753)		(11,753)
<u>(18,340)</u>		<u>(18,340)</u>
 <u>(258,808)</u>		 <u>(258,808)</u>
	<u>(41,862)</u>	<u>(41,862)</u>
<u>(258,808)</u>	<u>(41,862)</u>	<u>(300,670)</u>
 204,465	-	204,465
124,987	-	124,987
29,170	-	29,170
<u>6,373</u>	<u>-</u>	<u>6,373</u>
<u>364,995</u>	<u>-</u>	<u>364,995</u>
<u>(15,000)</u>	<u>15,000</u>	<u>-</u>
91,187	(26,862)	64,325
<u>1,663,414</u>	<u>1,090,231</u>	<u>2,753,645</u>
<u>\$ 1,754,601</u>	<u>\$ 1,063,369</u>	<u>\$ 2,817,970</u>

See notes to the financial statements

**Township of Charleston**  
**BALANCE SHEET - governmental funds**  
March 31, 2005

	<u>General</u>	<u>Public Safety</u>	<u>Township Improvement Revolving</u>	<u>Sewer</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 406,149	\$ 96,932	\$ 191,017	\$ 466,666	\$ 1,160,764
Receivables, net	24,042	3,065	-	215,516	242,623
Due from other funds	2,391	-	-	-	2,391
Total assets	<u>\$ 432,582</u>	<u>\$ 99,997</u>	<u>\$ 191,017</u>	<u>\$ 682,182</u>	<u>\$ 1,405,778</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 9,279	\$ -	\$ -	\$ -	\$ 9,279
Due to other funds	-	2,391	-	-	2,391
Deferred revenue	-	-	-	212,250	212,250
Total liabilities	<u>9,279</u>	<u>2,391</u>	<u>-</u>	<u>212,250</u>	<u>223,920</u>
Fund balances:					
Unreserved, undesignated	<u>423,303</u>	<u>97,606</u>	<u>191,017</u>	<u>469,932</u>	<u>1,181,858</u>
Total liabilities and fund balances	<u>\$ 432,582</u>	<u>\$ 99,997</u>	<u>\$ 191,017</u>	<u>\$ 682,182</u>	

Amounts reported for *governmental activities* in the statement of net assets  
(page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore,  
are not reported in the funds. 357,900

Prepaid expenses are not a current financial resource and, therefore, are not reported in  
the funds. 2,593

Other long-term assets are not available to pay for current-period expenditures and, therefore,  
are deferred in the funds. 212,250

Net assets of *governmental activities* \$ 1,754,601

See notes to the financial statements

**Township of Charleston**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds**  
Year ended March 31, 2005

	<u>General</u>	<u>Public Safety</u>	<u>Township Improvement Revolving</u>	<u>Sewer</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 129,791	\$ 74,674	\$ -	\$ -	\$ 204,465
Licenses and permits	11,656	-	-	-	11,656
State grants	132,470	-	-	-	132,470
Charges for services	9,999	4,370	-	-	14,369
Interest	7,738	527	6,774	30,630	45,669
Other	9,299	-	-	38,250	47,549
Total revenues	<u>300,953</u>	<u>79,571</u>	<u>6,774</u>	<u>68,880</u>	<u>456,178</u>
<b>EXPENDITURES</b>					
Legislative	2,970	-	-	-	2,970
General government	158,635	-	-	-	158,635
Public safety	15,082	69,870	-	-	84,952
Public works	27,929	-	-	60	27,989
Community and economic development	12,528	-	-	-	12,528
Recreation and culture	18,340	-	-	-	18,340
Capital outlay	4,700	-	-	-	4,700
Total expenditures	<u>240,184</u>	<u>69,870</u>	<u>-</u>	<u>60</u>	<u>310,114</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>60,769</u>	<u>9,701</u>	<u>6,774</u>	<u>68,820</u>	<u>146,064</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	50,000	-	50,000
Transfers out	(50,000)	-	-	(15,000)	(65,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>(15,000)</u>	<u>(15,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	10,769	9,701	56,774	53,820	131,064
<b>FUND BALANCES - BEGINNING</b>	<u>412,534</u>	<u>87,905</u>	<u>134,243</u>	<u>416,112</u>	<u>1,050,794</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 423,303</u>	<u>\$ 97,606</u>	<u>\$ 191,017</u>	<u>\$ 469,932</u>	<u>\$ 1,181,858</u>

Net change in fund balances - total governmental funds \$ 131,064

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$(21,292) exceeded capital outlays \$(16,950) in the current period. (4,342)

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 215

Creation of special assessments do not provide current financial resources to the governmental funds, thereby increasing deferred revenue in the governmental funds. Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets. This is the amount by which collections (\$38,250) exceeded new special assessments created (\$2,500) in the current period. (35,750)

Change in net assets of *governmental activities* \$ 91,187

See notes to the financial statements

**Township of Charleston**  
**STATEMENT OF NET ASSETS - proprietary fund**  
March 31, 2005

---

	<u>Water</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,355
Receivables, net	<u>1,718</u>
Total current assets	<u>3,073</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,061,547</u>
Total assets	<u>1,064,620</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	<u>1,251</u>
<b>NET ASSETS</b>	
Invested in capital assets	1,061,547
Unrestricted	<u>1,822</u>
Total net assets	<u>\$ 1,063,369</u>

See notes to the financial statements

**Township of Charleston**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary fund***  
*Year ended March 31, 2005*

---

	<u>Water</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ <u>20,741</u>
<b>OPERATING EXPENSES</b>	
Maintenance and supplies	44,188
Utilities	3,739
Depreciation	<u>14,676</u>
Total operating expenses	<u>62,603</u>
Operating loss	<u>(41,862)</u>
<b>TRANSFERS</b>	
Transfer from Sewer Fund	<u>15,000</u>
<b>CHANGE IN NET ASSETS</b>	(26,862)
<b>NET ASSETS - BEGINNING</b>	<u>1,090,231</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,063,369</u>

*See notes to the financial statements*

**Township of Charleston**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended March 31, 2005

---

	<u>Water</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 20,416
Payments to vendors and suppliers	<u>(48,206)</u>
Net cash used in operating activities	(27,790)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from Sewer Fund	<u>15,000</u>
<b>NET INCREASE IN CASH</b>	(12,790)
<b>CASH - BEGINNING</b>	<u>14,145</u>
<b>CASH - ENDING</b>	<u>\$ 1,355</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (41,862)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,676
Increase in receivables	(324)
Decrease in payables	<u>(280)</u>
Net cash used in operating activities	<u>\$ (27,790)</u>

See notes to the financial statements

***Township of Charleston***  
**STATEMENT OF FIDUCIARY NET ASSETS - *agency fund***  
*March 31, 2005*

---

**ASSETS**

Cash	\$ <u>1,052</u>
------	-----------------

**LIABILITIES**

Payables	\$ <u>1,052</u>
----------	-----------------

*See notes to the financial statements*

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Charleston, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Township Improvement Revolving Fund accounts for Township improvements. Revenues are primarily derived from transfers and interest.

The Sewer Fund accounts for the repairs, maintenance and extension of the Township's sewer lines. Revenues are primarily derived from special assessments.

The Township reports the following major proprietary fund:

The Water Fund accounts for the activities of the Township's water distribution and treatment system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

The Township includes shared fire vehicle costs in the intangible assets of its governmental activities. These costs represent the Township's portion of fire vehicles that are owned by the Galesburg-Charleston Joint Fire Board.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	5 years
Water system	75 years
Intangible assets	15 years

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ -	\$ 4,700	\$ (4,700)
	Transfer out	-	50,000	(50,000)

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH:**

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 1,160,041	\$ 1,355	\$ 1,052	\$ 1,162,448
Cash on hand	<u>723</u>	<u>-</u>	<u>-</u>	<u>723</u>
	<u>\$ 1,160,764</u>	<u>\$ 1,355</u>	<u>\$ 1,052</u>	<u>\$ 1,163,171</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$1,162,448 and a bank balance of \$1,172,756. Of the bank balance, \$202,278 is covered by federal depository insurance and \$970,478 is uninsured.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 1,005	\$ 4,230	\$ -	\$ 18,807	\$ 24,042
Public Safety	-	3,065	-	-	3,065
Sewer	-	-	215,516	-	215,516
Water	<u>1,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,718</u>
Totals	<u>\$ 2,723</u>	<u>\$ 7,295</u>	<u>\$ 215,516</u>	<u>\$ 18,807</u>	<u>\$ 244,341</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,666</u>	<u>\$ -</u>	<u>\$ 185,666</u>

All receivables are considered fully collectible.

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 11,700	\$ -	\$ -	\$ 11,700
Capital assets being depreciated:				
Buildings and improvements	332,002	-	-	332,002
Equipment	26,500	4,700	-	31,200
Intangible assets	125,000	12,250	-	137,250
Total capital assets being depreciated	483,502	16,950	-	500,452
Less accumulated depreciation for:				
Buildings and improvements	(98,388)	(7,431)	-	(105,819)
Equipment	(17,905)	(4,711)	-	(22,616)
Intangible assets	(16,667)	(9,150)	-	(25,817)
Total accumulated depreciation	(132,960)	(21,292)	-	(154,252)
Total capital assets being depreciated, net	350,542	(4,342)	-	346,200
Governmental activities capital assets, net	\$ 362,242	\$ (4,342)	\$ -	\$ 357,900
Business-type activities:				
Capital assets being depreciated:				
Water system	\$ 1,100,683	\$ -	\$ -	\$ 1,100,683
Less accumulated depreciation for:				
Water system	(24,460)	(14,676)	-	(39,136)
Total business-type activities capital assets, net	\$ 1,076,223	\$ (14,676)	\$ -	\$ 1,061,547

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government:	
General government	\$ 6,136
Public safety	9,150
Public works	6,006
Total governmental activities	\$ 21,292

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At March 31, 2005, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>2,391</u>	Public Safety	\$ <u>2,391</u>

A summary of interfund transfers for the year ended March 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Water	\$ <u>15,000</u>	Sewer	\$ <u>15,000</u>
Improvement Revolving	<u>50,000</u>	General	<u>50,000</u>
Totals	\$ <u>65,000</u>	Totals	\$ <u>65,000</u>

The transfer to the Water Fund from the Sewer Fund is to pay for operating costs of the Water Fund.

The transfer to the Improvement Revolving Fund represents amounts designated for future Township improvements.

**NOTE 7 - DEFERRED REVENUE:**

As of March 31, 2005, deferred revenue consists of sewer special assessments unavailable to liquidate liabilities in the current period.

**NOTE 8 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% of each qualified employee's base salary to the plan, with a minimum annual contribution of \$150 per employee. The Township's contributions are fully vested immediately. The Township made the required contributions of \$8,325 for the year ended March 31, 2005.

**Township of Charleston**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN (Continued):

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2005, is as follows:

Revenues	\$	11,656
Expenses		<u>15,082</u>
Deficiency of revenues over expenses	\$	<u>(3,426)</u>

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets as previously reported		
General and special revenue funds	\$	1,050,794
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		362,242
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.		2,378
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		<u>248,000</u>
Net assets, as restated	\$	<u>1,663,414</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Township of Charleston**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 120,450	\$ 120,450	\$ 129,791	\$ 9,341
Licenses and permits	16,000	16,000	11,656	(4,344)
State grants	114,781	114,781	132,470	17,689
Charges for services	8,800	8,800	9,999	1,199
Interest	4,600	4,600	7,738	3,138
Other	28,334	28,334	9,299	(19,035)
Total revenues	<u>292,965</u>	<u>292,965</u>	<u>300,953</u>	<u>7,988</u>
<b>EXPENDITURES</b>				
Legislative	<u>3,000</u>	<u>3,000</u>	<u>2,970</u>	<u>30</u>
General government:				
Supervisor	18,000	18,000	18,000	-
Election	3,000	3,000	2,881	119
Assessor	11,500	11,500	10,896	604
Clerk	15,300	15,300	15,300	-
Board of review	750	750	666	84
Treasurer	21,800	21,800	18,918	2,882
Hall and grounds	14,775	14,775	11,630	3,145
Cemetery	9,250	9,250	8,646	604
Other	69,310	69,310	71,698	(2,388)
Total general government	<u>163,685</u>	<u>163,685</u>	<u>158,635</u>	<u>5,050</u>
Public safety - building inspections	<u>15,000</u>	<u>15,000</u>	<u>15,082</u>	<u>(82)</u>
Public works:				
Highways and streets	45,000	45,000	23,576	21,424
Metro act	-	-	-	-
Street lights	4,440	4,440	3,372	1,068
Refuse collection	2,000	2,000	981	1,019
Total public works	<u>51,440</u>	<u>51,440</u>	<u>27,929</u>	<u>23,511</u>
Community and economic development - Planning and zoning	<u>14,000</u>	<u>14,000</u>	<u>12,528</u>	<u>1,472</u>
Recreation and culture - Library	<u>18,340</u>	<u>18,340</u>	<u>18,340</u>	<u>-</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>4,700</u>	<u>(4,700)</u>
Total expenditures	<u>265,465</u>	<u>265,465</u>	<u>240,184</u>	<u>25,281</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>27,500</u>	<u>27,500</u>	<u>60,769</u>	<u>33,269</u>

**Township of Charleston**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2005

---

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>OTHER FINANCING USES</b>				
Transfer out - Township Revolving Improvement Fund	\$ -	\$ -	\$ (50,000)	\$ (50,000)
<b>NET CHANGE IN FUND BALANCES</b>	27,500	27,500	10,769	(16,731)
<b>FUND BALANCES - BEGINNING</b>	<u>412,534</u>	<u>412,534</u>	<u>412,534</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 440,034</u>	<u>\$ 440,034</u>	<u>\$ 423,303</u>	<u>\$ (16,731)</u>

**Township of Charleston**  
**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 75,432	\$ 75,432	\$ 74,674	\$ (758)
Charges for service	-	-	4,370	4,370
Interest	-	-	527	527
	<u>-</u>	<u>-</u>	<u>527</u>	<u>527</u>
Total revenues	<u>75,432</u>	<u>75,432</u>	<u>79,571</u>	<u>4,139</u>
<b>EXPENDITURES</b>				
Public safety	<u>75,432</u>	<u>75,432</u>	<u>69,870</u>	<u>5,562</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	9,701	9,701
<b>FUND BALANCES - BEGINNING</b>	<u>87,905</u>	<u>87,905</u>	<u>87,905</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 87,905</u>	<u>\$ 87,905</u>	<u>\$ 97,606</u>	<u>\$ 9,701</u>

**Township of Charleston**  
**BUDGETARY COMPARISON SCHEDULE - Township Improvement Revolving Fund**  
Year ended March 31, 2005

---

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 6,774	\$ 6,774
<b>OTHER FINANCING SOURCES</b>				
Transfer in - General Fund	-	-	50,000	50,000
<b>NET CHANGE IN FUND BALANCES</b>	-	-	56,774	56,774
<b>FUND BALANCES - BEGINNING</b>	<u>134,243</u>	<u>134,243</u>	<u>134,243</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 134,243</u>	<u>\$ 134,243</u>	<u>\$ 191,017</u>	<u>\$ 56,774</u>

**Township of Charleston**  
**BUDGETARY COMPARISON SCHEDULE - Sewer Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 10,000	\$ 10,000	\$ 30,630	\$ 20,630
Other	<u>46,000</u>	<u>46,000</u>	<u>38,250</u>	<u>(7,750)</u>
Total revenues	<u>56,000</u>	<u>56,000</u>	<u>68,880</u>	<u>12,880</u>
<b>EXPENDITURES</b>				
Public works - Sewer	<u>5,000</u>	<u>5,000</u>	<u>60</u>	<u>4,940</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>51,000</u>	<u>51,000</u>	<u>68,820</u>	<u>17,820</u>
<b>OTHER FINANCING USES</b>				
Transfer out - Water Fund	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	36,000	36,000	53,820	17,820
<b>FUND BALANCES - BEGINNING</b>	<u>416,112</u>	<u>416,112</u>	<u>416,112</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 452,112</u>	<u>\$ 452,112</u>	<u>\$ 469,932</u>	<u>\$ 17,820</u>